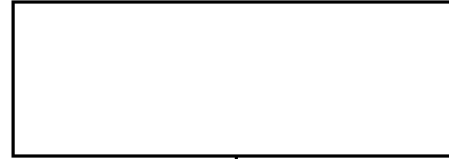
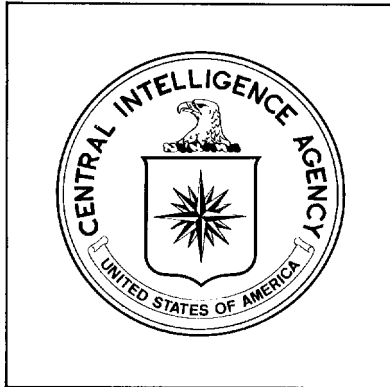


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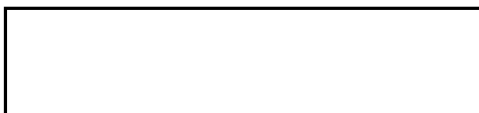
Soviet Union Eastern Europe

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European Communist Conference Prospects Fading

In an effort to revive the rapidly fading prospects for convening a European Communist party conference this year, the Soviets and East Germans have called a meeting of the conference drafting group on October 8 [REDACTED]

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[REDACTED] This group, which first met in East Berlin on February 17-19 and then on April 8-10, is charged with drawing up the conference's final document. Throughout its proceedings, however, the group has been paralyzed by sharp differences between the "centralists" led by Moscow and the "independents," including the Yugoslavs, Romanians, Spaniards, and Italians. In an attempt to get around this problem, a subcommittee divided evenly between the two groups was created to hammer out the concluding document, but during its meetings from mid-April through mid-July no progress was made, and it was finally adjourned *sine die*.

For the past three months no drafting meetings of any sort have been held as the two contending factions have hardened their positions and reviewed their strategy. On the Soviet side, stinging denunciations of Maoism and "opportunists" willing to make political alliances with "bourgeois" parties rather than adopt a revolutionary path to power appeared in August in *Kommunist* and *Pravda*, respectively. The Yugoslavs and West Europeans have responded with sharp counterattacks in their own media. The Soviets and East Germans, recognizing the depth of the differences between the two sides, concede privately that no conference is likely this year and some reports say they are reconciled to putting it off until after the Soviet party congress next February. [REDACTED]

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[REDACTED] if the meeting is not held before the Congress, the whole project could become a dead letter for at least two years.

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In an attempt to get a conference on track again, the Soviets have given up pushing for a program of common action binding on all participating parties and have opted instead for a statement of principles with some binding provisions. This, however, is still unsatisfactory to the Romanians and other "independents," and the Soviets are toying with a vague, non-binding declaration to avoid sinking the conference project. Soviet party secretary Katushev's sudden arrival in Bucharest on Wednesday may be an effort to put pressure on the Romanians to soften their position.

Moscow is no longer insisting on references to its leading role in the international communist movement and may be willing to delete references to "Maoist" support of opponents of detente if this threatens the holding of the conference. The sticking point is the attitude to be taken by the conference toward the social democratic parties in Western Europe. If the choice comes down to describing them unqualifiedly as "progressive," and therefore suitable political allies, as the "independents" wish, or scuttling the conference, Moscow will choose the latter. The depth of Moscow's commitment to its position, spelled out in the Zarodov *Pravda* article in August, was underscored by the publicity given Zarodov's meeting with Brezhnev last month, and this does not augur well either for next week's meeting of the drafting group or the European Communist conference project as a whole.

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East Germany Suspends Relations with Spain

East Germany suspended diplomatic relations with Spain yesterday afternoon. The action was foreshadowed when East Berlin recalled its ambassador on September 27th "as an expression of its strong protest against the executions of the five Spanish patriots." East Germany is the only Warsaw Pact country that has had full diplomatic--as distinct from consular--relations with Madrid. The action was almost certainly taken at Moscow's behest, and may have been arranged during Foreign Minister Gromyko's brief visit to East Berlin earlier this week.

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Czechoslovakia: Reconciliation for
the Ostracized

Prague now appears to be holding out the possibility that those who were purged in the wake of the "Prague Spring" could return to the party ranks if they are willing to recant and "work for socialism."

The rehabilitation of almost half a million former party members has reportedly been a central issue in a major dispute that has pitted hard liners against moderates in the top party leadership. The hard liners fear that any relaxation of ideological vigilance could eventually result in a return to the deviations of the "Prague Spring," while the moderates argue that selective rehabilitation would aid the sluggish Czechoslovak economy. Party leader Husak reportedly favored rehabilitating members with technical expertise as early as 1970, but he has been forcefully blocked by the hard line faction of party secretary Vasil Bilak.

In an interview last month, however, Bilak remarked that the majority of those former party members who did not pass their reliability clearance checks "are trying to make up for past mistakes and errors by honest work" and that "many believe that with the passage of time they will be readmitted to the party." These remarks have subsequently been repeated in the party press, which labeled the interview "a document of extraordinary importance" that has "generated considerable, and fully justified interest also in our country."

Bilak's statement stops short of a firm commitment to reinstate purged party members. Its evasiveness on a time factor suggests a compromise in which the hard liners have given some ground but have not capitulated. It will nevertheless raise the hopes of

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those individuals willing to recant. Their expectations will probably be fueled by the promise that "a program which all honest people in our country could understand and accept" will be worked out for the 15th party congress scheduled for next April.

By holding out the carrot, the regime may be trying to divide the ranks of the purge victims, splitting the dissidents--the small militant minority--away from the majority, who might be swayed by the prospects of reconciliation after seven years of frustration and economic hardship. Since the November plenum last year, the party has given increasing attention to economic performance, and the former party members are an untapped or, at least, under-utilized resource, particularly in the area of badly needed managerial talent.

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Hungary: Preparing the People

In a recent speech to parliament, Premier Lazar told the Hungarian consumer to expect a slowdown in improvements in the standard of living during the next five years. His warning is the latest in a series of statements by high-level Hungarian spokesmen that are intended to scale back popular expectations.

In a partial preview of the five year plan, which will be published within the next several months, Lazar said that Budapest can not avoid further increases in consumer prices, and revealed that "guaranteed" rises in living standards would be "several percent" less than in past years. He implied that increases in real income would be especially modest during 1976 and 1977. A Hungarian economist told the embassy that the regime would like to hold this increase to 1.5 percent per year, but would probably not do so because of the domestic political effect. Real income has been increasing at an average annual rate of 5 percent since 1970.

Lazar was frank about the difficulties that Western inflation and recession and Soviet price increases are causing for Hungary. He called for greater worker productivity, cutbacks in luxury imports, more exports, and greater modernization in industry. He said that the overall growth of investments would be half the rate sustained during 1971-75, despite an increase in energy-related investment outlays.

On the sensitive subject of management policy, Lazar suggested a commitment to Budapest's flexible economic system when he said "there is no need to change the basic principles." He cited the initiative and imagination of enterprises as a "precondition" for national economic growth. At the same time,

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Lazar acknowledged that some modifications are in the works that will increase the role of the central bureaucracy. Lazar said "it is not our aim to over-regulate," but pointed to current economic pressures as justification for the changes.

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Iranian Premier Visits Czechoslovakia

Discussions of bilateral economic relations dominated the visit of Iranian Premier Hoveyda to Prague earlier this week. The Czechs, anxious to get further cooperation from Tehran, rolled out the red carpet, and President Husak presented Hoveyda with the country's highest award, the Order of the White Lion, First Class.

The Czechoslovak media gave prominent and favorable play to Czechoslovak-Iranian relations throughout the visit. A commentary in the party daily, for example, underscored Czechoslovakia's role in the realization of Iran's development plans and Tehran's elimination of "imperialists" from key sectors of the economy.

According to the communique on Hoveyda's talks with Premier Strougal, the two sides agreed that the forthcoming joint commission meeting in Tehran would work toward a long-term agreement on economic, scientific, and technical cooperation. The premiers also discussed cooperation--including joint projects in third countries--in "new industrial" and agricultural fields. No details were given. The communique indicated that financial cooperation was another topic discussed. This suggests that at long last Prague may be on the verge of entering the Western money market.

Although there was no suggestion in either the official coverage or in the communique that the subject of oil was brought up, Premier Strougal went out of his way to support the 10-percent increase in oil prices recently decided by the OPEC nations. According to Strougal, Czechoslovakia considers the increase, "as desired by Iran, very reasonable and logical."

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Soviet Activity in Asia
(August 29 - October 1)

The Far East

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The Soviets in private exchanges with Western officials continue to maintain that Sino-Soviet bilateral relations are neither better nor worse than they were a year ago. The China desk officer in the Foreign Ministry recently advised a US official to attach no special significance to the fact that for the first time in six months the Soviet press had publicly mentioned the downed helicopter crewmen that China has detained since 1974; it was just Moscow's way of reminding everyone the issue is not forgotten. The same Soviet official maintained that nothing had occurred during the last round of border talks and that the value--but not the volume--of Sino-Soviet trade will increase this year because the two sides had been able to agree on repricing.

The two sides exchanged more heated messages than usual over the issue of Soviet wreath-laying in China. As they usually do, Soviet media reported that China had refused permission for Soviet representatives to lay wreaths at memorials to fallen soldiers in several places in China on the anniversary of Japan's defeat in World War II. China, which does not usually respond to these protests, did so this year in a verbal statement by the Foreign Ministry explaining that China could not receive Soviet representatives as long as Moscow continued to deploy troops on the Sino-Soviet border and continued to send spies into China. Peking's decision to go public may have been inspired by Moscow's publication last April of a Soviet statement--the first in several years--charging China with desecrating Soviet war memorials in China.

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Moscow's handling of Chinese National Day was in keeping with its behavior of recent years. There were articles in *Pravda* and *Izvestia* that were highly critical of the Chinese but also, as usual, included reference to the hope for better relations in the future. Soviet leaders also sent their usual message to Peking reiterating their desire for a restoration of friendly ties, and held a reception in Moscow--which was attended by China's ambassador to the USSR--under the auspices of the almost moribund Sino-Soviet Friendship Society.

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[REDACTED]

[REDACTED] This is the first time in 20 years that the talks, which deal with routine matters about transportation on the border rivers, have not been held. The reason for the failure to meet apparently is China's attempt to change the ground rules by bringing in territorial questions.

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China's tougher stance this year may have been prompted by signs the Soviets are improving their military capabilities on Big Ussuri, the island opposite Khabarovsk which the Soviets have long occupied but which by most international standards belongs to the Chinese.

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[REDACTED]

Big Ussuri is one of the most sensitive points along the Sino-Soviet border. Every year, when the border rivers thaw, China challenges Moscow's de facto ownership of the island by threatening to send a ship equipped with special facilities for rapid communication with Peking around the northern part of the island. The ship has never actually entered Soviet waters but the annual cat and mouse game does succeed in making the Soviets nervous.

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The annual Soviet propaganda offensive against China that began with an editorial article on China in the number 12 (mid-August) issue of *Kommunist* continued, as party propagandists and some of the more subservient Communist parties picked up and echoed *Kommunist's* charges against the Chinese. Mikhail Kapitsa, chief of the Foreign Ministry's First Asian Division, said the article was drafted last spring. The article clearly was updated, however, to take into account the charges China leveled steadily throughout the summer against alleged Soviet machinations in Europe and Asia. *Kommunist* accused the Chinese of seeking to strengthen the Western ability to counter the socialist camp, forming an anti-Soviet alliance with Japan, opposing Vietnamese reunification, frustrating India's efforts to establish good ties with its neighbors, and fostering anti-government activity in India, Burma, and Bangladesh.

The *Kommunist* article suggested that Moscow is satisfied it has met the political and ideological challenge posed by Chinese foreign policy. The article did urge other Communists to attack Maoism, but it also said flatly that China had failed to frustrate detente and aggravate Moscow's relations with the West, particularly the US. *Kommunist's* line on China's internal development was consistent with its treatment in previous years. The Soviets conceded that the Chinese have succeeded in restoring some semblance of normality--particularly with regard to the economy--since the Cultural Revolution, and admitted that the moderates seem to be exercising more real influence than the leftists. This line is at odds with what Soviet Sinologists say privately to Westerners about the Western tendency to underrate leftist influence, but it probably more accurately represents Moscow's assessment. Nevertheless, *Kommunist* is gloomier than ever before on the prospects for any improvement in Sino-Soviet relations after Mao and Chou die, stating specifically that it would be unrealistic to expect any radical changes in Chinese policy as a result of one or two crisis phenomena.

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Kommunist was signed to the press before the *Water Margin* campaign got under way in China. Initial Soviet comment on that campaign tended to play down its significance, but recent Soviet broadcasts have acknowledged that the campaign might be directed at rooting out pro-Soviet forces in China.

Signs of renewed factional infighting in Peking probably prompted a lengthy *Red Star* article on September 11, which recounted Mao's efforts to make the army serve as executor of his antisocialist domestic policies. *Red Star* conceded that on the whole Mao has been successful in maintaining control of the army, but was more explicit than the Soviets usually are in noting the existence of opposition to Mao in the army. The article maintains, for example, that the top three jobs in the Chinese armed forces are now in the hands of leaders of rival political groups (a claim we do not buy) and that the degree of reconciliation between them is "unquestionably temporary."

In running this kind of article, *Red Star* might be trying to send a message to counterparts in China, namely that the Soviets recognize that there are Chinese military leaders who want better relations with the Soviet Union and that, if the time ever comes, they can expect a sympathetic hearing from Moscow. It is also possible that the Soviet military is supporting Soviet efforts to maintain some flexibility vis-a-vis China in order to encourage those in China who might support a rapprochement with the USSR.

Japan: Recent Soviet propaganda has treated the Japanese harshly. In an article in *Pravda* on the anniversary of the end of the war, Kapitsa suggested that the Japanese were at fault for the slow pace in improving Soviet-Japanese relations and that Moscow regarded the territorial issue between the USSR and Japan as closed. Moscow's tough line was probably prompted by signs that the stalled

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negotiations on a Sino-Japanese peace treaty were about to resume.

Shortly before Japanese Foreign Minister Miyazawa met with Chinese Foreign Minister Chiao Kuan-hua at the UN last week, the Soviets increased their pressure on the Japanese. Several articles appeared in the central press warning the Japanese of the "severe consequences" for Soviet-Japanese relations if Japan signed a treaty with China containing an anti-hegemony clause. On September 17, the Soviet ambassador in Tokyo called on Miyazawa to warn that Foreign Minister Gromyko's visit to Japan, tentatively scheduled for the end of the year, depended on how Japan handled the anti-hegemony clause. Gromyko himself probably conveyed much the same message to Miyazawa when they met at the UN last week.

All of this activity is in part a charade because in private the Soviets have long acknowledged that Japan eventually will sign a treaty containing the anti-Soviet clause. The Soviets may have some hope that their efforts could, as they apparently did last spring, further delay the treaty, but basically they want to convince the Japanese that if they sign the treaty they will ultimately have to make some compensatory gesture toward the USSR.

What Moscow would like most is Japan's agreement to negotiate the interim friendship treaty first proposed by Foreign Minister Gromyko last January as a way of muting the political impact of the pending Sino-Japanese peace treaty. But because of the two countries territorial differences, the Japanese rejected Gromyko's proposal and probably will do so again if the Soviets resubmit it. Japanese politicians of every coloration, including Prime Minister Miki, have roundly denounced an article in the latest issue of *Foreign Affairs* by a confidant of Prime Minister Miki that suggested Japan compromise on its territorial problem with the USSR.

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On the whole, however, the Soviets seem satisfied with the course of Soviet-Japanese economic relations. The two countries signed an important fisheries agreement early this summer and Soviet propagandists still wax enthusiastic about Soviet-Japanese economic co-operation.

North Korea: Despite Moscow's support for North Korea at the UN, relations with Pyongyang are not good. Both the Soviets and the Koreans keep talking about a visit by Kim Il-song to Moscow before the end of the year, but this seems unlikely in light of China's closer ties with North Korea and recent Soviet gestures toward Seoul. Chinese Politburo member Chang Chun-chiao visited North Korea last week for the second high-level Sino - North Korean exchange in less than a year, and Moscow granted visas to South Korean athletes to take part in the World Games in Moscow and to a high level South Korean delegation going to Moscow for a meeting of UN associations. The Soviets curtailed contacts with Seoul when Pyongyang objected in 1973. Their present behavior probably was provoked by recent signs of further improvement in Pyongyang's ties with Peking. Moscow has not yet reported the new US proposal for a resolution of the Korean problem, but the Soviets probably will eventually support Pyongyang's rejection of it.

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SOUTH ASIA

India, Bangladesh: Soviet propaganda supporting Prime Minister Gandhi's domestic moves has abated somewhat, suggesting Moscow recognizes the decreasing chances for effective right-wing opposition to Gandhi's moves. Gandhi, though doubtless appreciative of Soviet support, is playing down her Soviet connection. She passed up an opportunity to meet with alternate Politburo member Solomentsev who stopped off in New Delhi en route home from North Vietnam and apparently did not consult the Soviets at the time of the recent coup in Bangladesh.

Moscow and New Delhi are dealing with the new Bangladesh government (Moscow, for example, recently resumed arms aid negotiations), but both are worried that the government will emerge as anti-Soviet and anti-Indian.

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Afghanistan: President Daoud recently removed at least a half dozen highly placed left-wingers from his government. Until now, the Soviets have not reacted to Daoud's policy of gradually chipping away at leftist influence in the government, but his latest moves may galvanize them into action.

SOUTHEAST ASIA

Burma: Burmese President Ne Win is reportedly planning to visit Moscow later this year to balance his planned trip to Peking, where he hopes to persuade China to curtail further its support for

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Burmese insurgents. The Soviets have made much in their propaganda in the last year or so of China's support for the insurgents and probably will again offer Ne Win military aid. The Burmese have declined Soviet military aid offers in recent years for fear of antagonizing the Chinese.

Cambodia: Hanoi apparently arranged a meeting between Soviet and Cambodian officials who were in Hanoi for the 30th anniversary of North Vietnamese independence. The meeting--Moscow's first with any Cambodian communist leader--apparently accomplished little. Just before he departed for Phnom Penh, Sihanouk again attacked Cambodia's "false friends" who had abandoned her in times of "misfortune."

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Thailand: Thailand's Foreign Minister made an effort this month to correct the impression that Thailand is leaning toward Peking by inviting Foreign Minister Gromyko to visit Bangkok to sign a Soviet-Thai cultural accord. The Soviets probably are pleased, but it is unlikely that Gromyko will accept only to sign a cultural agreement with one Southeast Asian country. The Thais recently accepted Moscow's offer to send a team of experts to examine the feasibility of shale oil exploitation in Thailand; they also decided to repeal the

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State Trading Act adopted in November 1974 to control anticipated Thai trade with China, partly because the Soviets pointed out the act also hampered their efforts to increase trade with the Thais. Thailand, however, has indefinitely shelved Moscow's request to station a military attache in Bangkok.

Vietnam: Moscow sent alternate Politburo member Solomentsev and party secretary Katushev to Hanoi for the opening of the Soviet-built Ho Chi Minh mausoleum and the 30th anniversary of Vietnamese independence in early September.

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Now that the war is over, the Soviets may well announce an aid commitment that will cover the period of Hanoi's next five year plan. Moscow probably will increase its economic aid to Vietnam, but the overall total will probably decline because of Hanoi's reduced need.

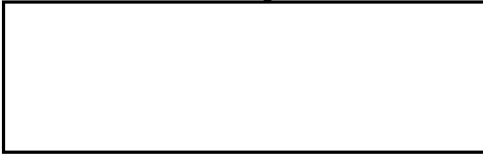
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